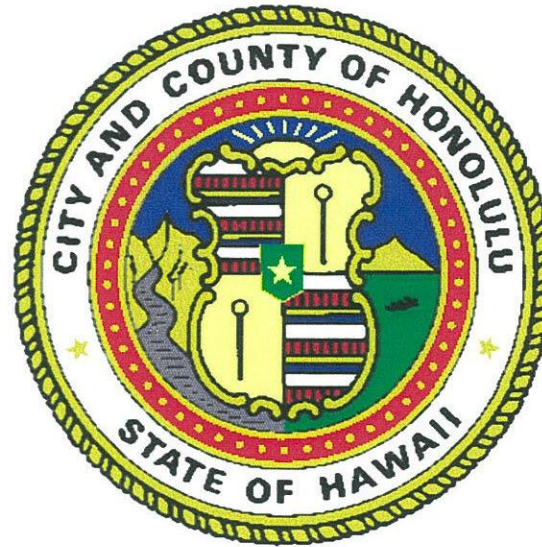


2017 REAL PROPERTY TAX ADVISORY COMMISSION
RECOMMENDATIONS FROM THE REAL PROPERTY ASSESSMENT DIVISION
THE DEPARTMENT OF BUDGET AND FISCAL SERVICES

- Repeal ROH Sec. 8-7.1(c)(4); which classifies certain timeshare units in Waikiki as Residential.
- Promotion of equity to amend ROH Sec. 8-7.1(i)(1)(C) and 8-7.1(i)(2); Residential A defined. The expansion of the Res A definition to include properties of P-1, P-2, and Country zoning that allows improvement with a residential dwelling.
 - Ensure such zoning has a qualifying condition allowing residential use. e.g areas of Tantalus of P-1 zoning have a covenant allowing residential use.
 - Vacant Country zoning may be included in Res A, but vacant P-1 & P-2 without a variance or covenant may be excluded.
- Amend ROH Sec. 8-7.1; Valuation – Considering in fixing. Provide further clarification in the classification of properties. The Honorable Judge Gary Chang made comments of ambiguity during the Res A Tax Appeal Court proceedings. COR Donna Leong agreed it could be written with clarity. Also ensure recently enacted ord 17-13 allows dedicated condo units can be classed into the Res A class.
- Repeal ROH Sec. 8-7.3(c). Dedication of land for agricultural use. Source and calculation of agricultural production rates may be unreliable, but forces dedicated values below 1% (10-yr dedication) and 3% (5-yr dedication) of their market value.
- Amend ROH Sec. 8-12.10. (Bill 70(2016); Ord 17-006) Costs – Deposit for an appeal. Re-word to include \$50.00 deposit of appeals filed to the board of review, including years prior to 2017. COR's interpretation of current ordinance has deposit amount of \$25 for appeals filed prior to 2017. This inclusion will blanket the intent of bill to assist in the resource consideration of processing an appeal, whether or not an appeal relates a notice prior to 2017. On occasion, we issue assessment notices of omitted properties for prior years, which are subject to an appeal.
- Repeal ROH Sec. 8-10.7; Exemption for persons with leprosy. There are 3 active exemptions, as written; the likelihood of additional claimants is minimal or non-existent. ROH Sec. 8-10.8 may be a more appropriate section for persons with leprosy.
- Repeal ROH Sec. 8-10.35; Central Kakaako Industrial Zone Limited Development. With delineated boundary rather than use or property qualifications, constitutional issues may exist. Additionally, delineated boundary and preservation of industrial uses of the area conflicts with inferior infrastructure prohibiting improvements to prohibiting a FAR (Floor Area Ratio) greater than 1.5. Filed Board of Review appeals have exposed such issues.
- Amend ROH Sec. 8-7.5(d); Certain property dedicated for residential use. Remove the transference of dedication onto the new owner upon the sale or transfer of the dedicated property. Upon sale or transfer, the dedication should cease. Historic pattern of properties sold and transferal of properties show high volume, including those of the same property. Monitoring compliance and communications to latest owner will be difficult.

2017 JUL 24 AM 9:44
C & C OF HONOLULU
RECEIVED
CITY CLERK

2017 Real Property Tax Advisory Commission



July 2017



Overview

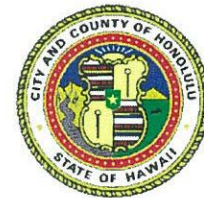


Revised Ordinances of Honolulu (ROH)

Chapter 8

- ❖ **Legislative Intent** - The purpose of this chapter is to implement the authority granted to the City and County of Honolulu to assess, impose and collect real property taxes based on an amendment to the Constitution of the State of Hawaii which was adopted on November 7, 1978, by the electorate. ⁽¹⁾
- ❖ The **Real Property Assessment Division** assesses all taxable real property within the City and County of Honolulu.
- ❖ The **Treasury Division** bills and collects the real property tax along with other fees.

⁽¹⁾ ROH Sec. 8-1.1



Real Property Taxes Vital to City Operations

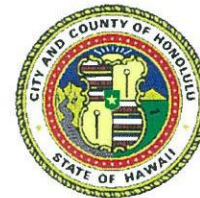
- ❖ Primary source of general fund revenue
- ❖ Integral to City's general obligation bond rating
- ❖ For tax year 2017-2018, assessed values were adjusted for exemptions and dedications that
 - ❖ reduced assessed values by \$29 billion; and
 - ❖ decreased real property tax revenue by approximately \$134 million
- ❖ For tax year 2017-2018, taxes were credited to 2,586 applicants that totaled approximately \$3.7 million ⁽¹⁾
- ❖ Exceptions (exemptions, dedications and tax credits) to the mass appraisal process require substantial resources to administer

⁽¹⁾ ROH Sec. 8-13 – County Tax Credit

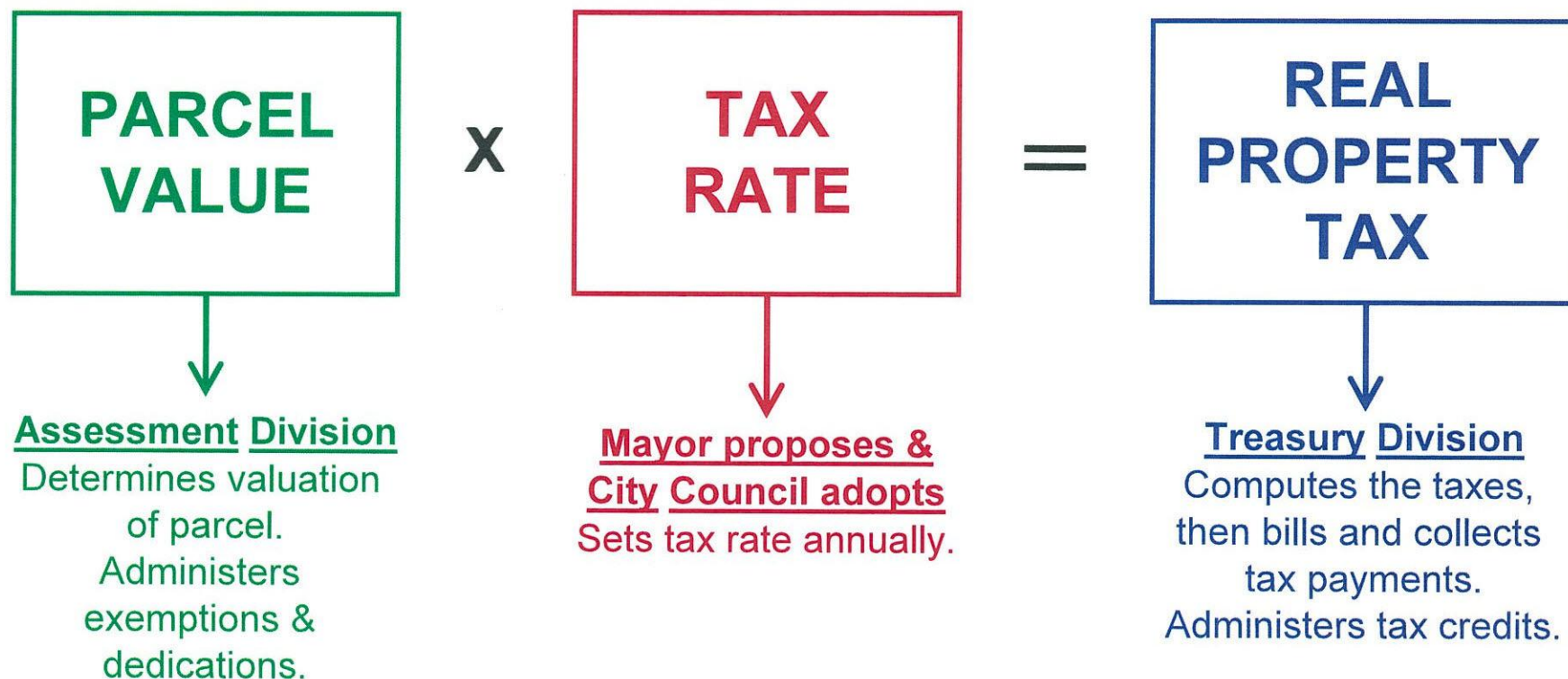


Real property tax revenue integral to City's general obligation bond ratings

- ❖ City has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the City for the payment of general obligation bond principal and interest
- ❖ City's general obligation bonds has the second highest rating
 - ❖ Aa1 by Moody's
 - ❖ AA+ by Fitch
- ❖ Positive rating factors
 - ❖ Ability to adjust rates
 - ❖ Low concentration risk
 - ❖ Stable valuations due to tight housing supply
 - ❖ Low delinquencies

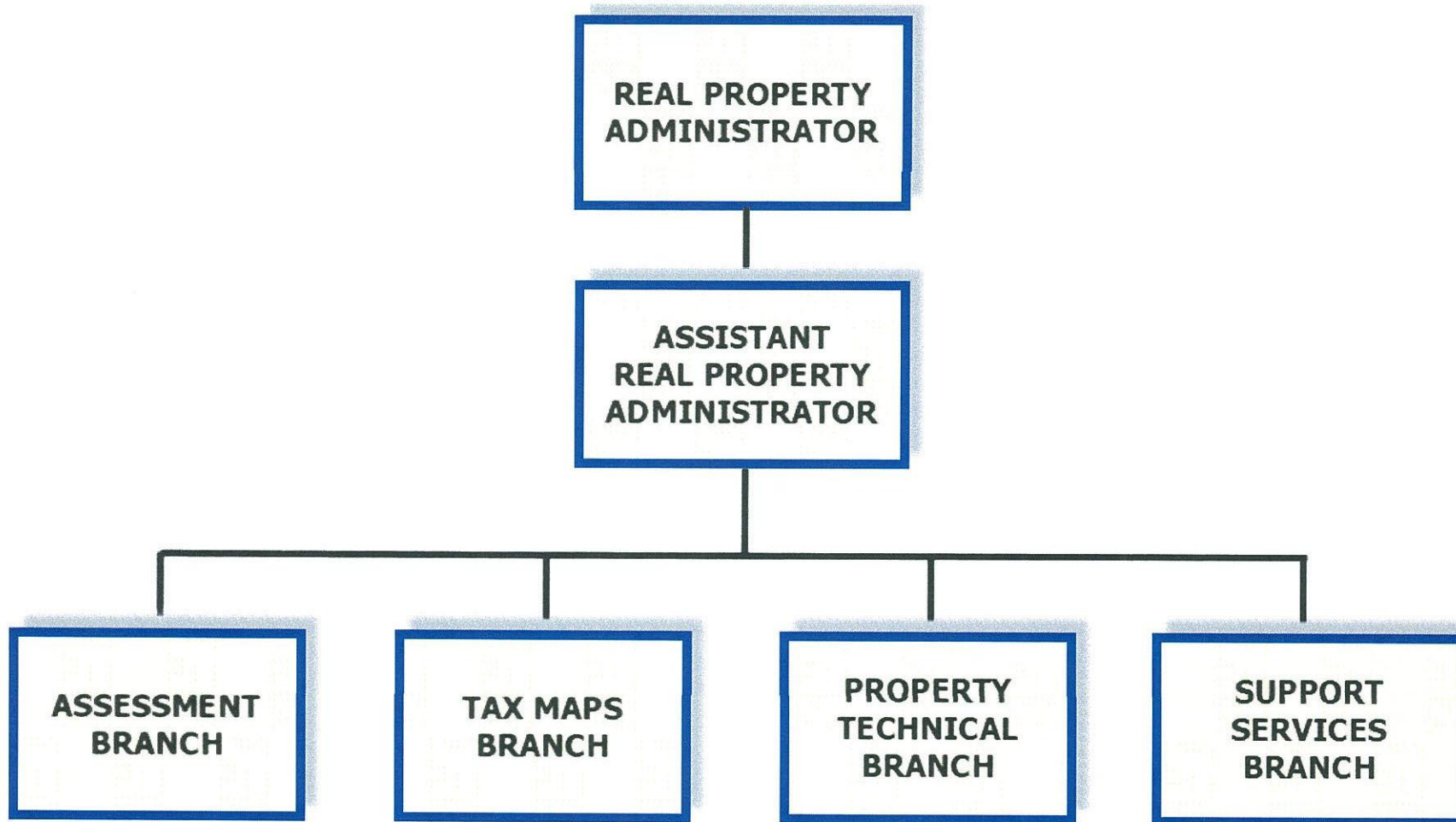


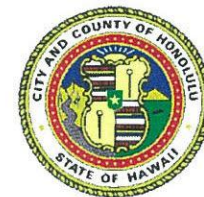
Distribution of Real Property Tax Responsibilities



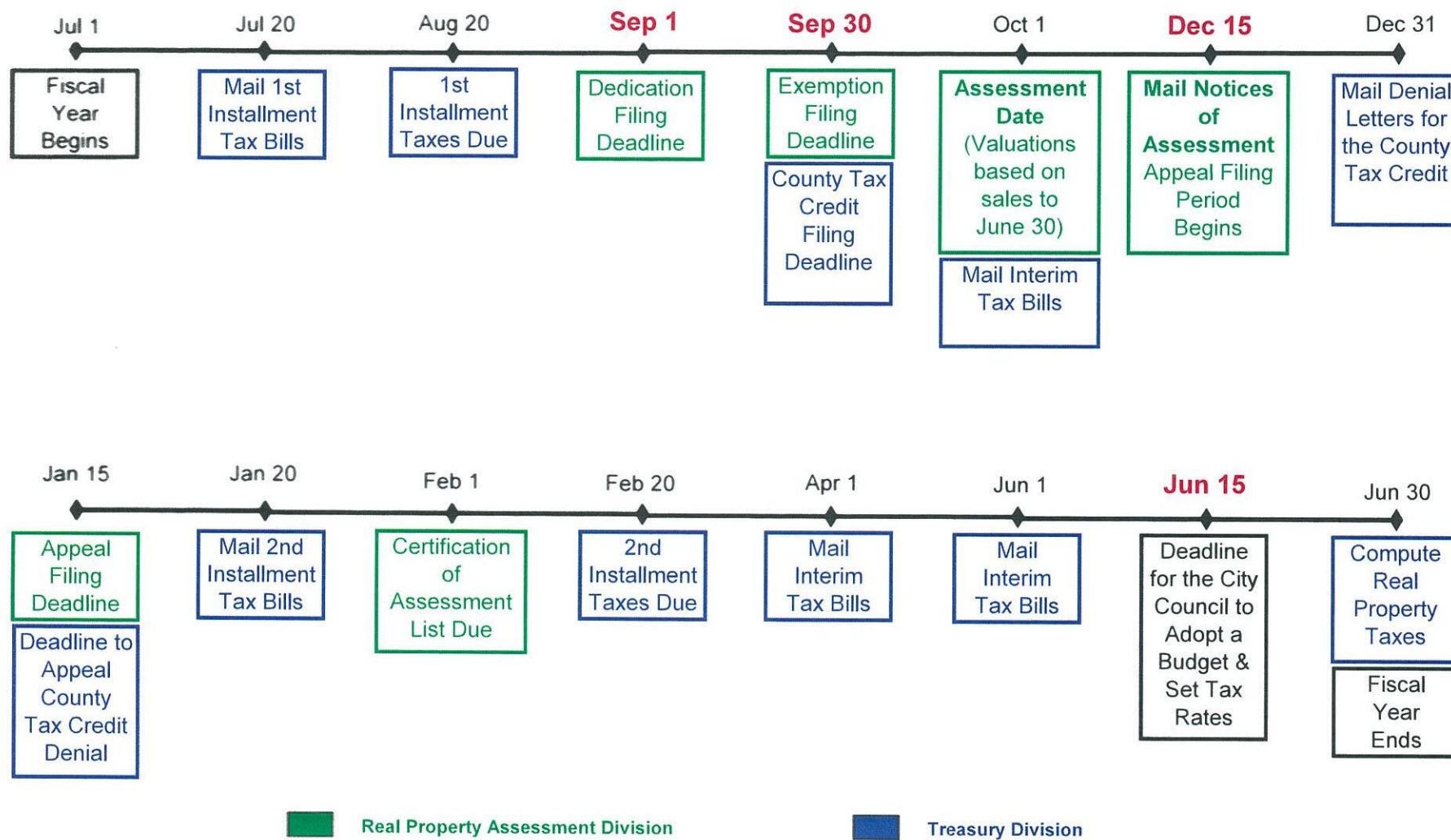


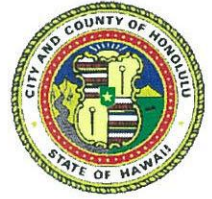
Real Property Assessment Division





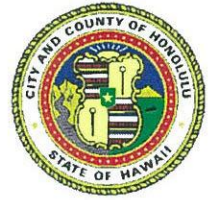
Real Property Tax Timeline





***Real Property Assessment Division
offers two websites with
useful information and services to the public***

- ❖ www.honolulupropertytax.com provides access to view real property tax records of individual parcels.
- ❖ www.realpropertyhonolulu.com is a secure site that offers online services and real property tax information.
 - ❖ Current and historical state wide real property tax data can be found in “REPORTS” tab
 - ❖ Important dates, applicable City ordinances, and frequently asked questions can be found on this website.



Previous Parcel	Next Parcel	Return to Main Search Page	Honolulu Home	Real Property Home
<div>Owner and Parcel Information</div> <div>Print Owner Info</div>				
Parcel Number	980250300000	Data current as of		
Owner Name	CITY AND COUNTY OF HONOLULU Fee Owner	Project Name		
Location Address	KIHALE ST	Plat Map	Plat Map PDF	
Property Class	RESIDENTIAL	Parcel Map	GIS Parcel Map	
Lot Area (approximate sq ft)	4,257	Legal Information		
Lot Area (acres)	0.0977	LOT 58 AIEALANI TRACT		

Assessment Information Show Historical Assessments Print Assessment Info											
Assessment Year	Property Class	Assessed Land Value	Dedicated Use Value	Land Exemption	Net Taxable Land Value	Assessed Building Value	Building Exemption	Net Taxable Building Value	Total Property Assessed Value	Total Property Exemption	Total Net Taxable Value
2017	RESIDENTIAL	\$ 100	\$ 0	\$ 100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100	\$ 0

Appeal Information Print Appeal Info											
No appeal information on parcel.											

Land Information Department of Planning and Permitting (DPP) Print Land											
Property Class		Square Footage		Acreage		Agricultural Use Indicator					
RESIDENTIAL		4,257		0.0977							


Improvement Information											
No improvement information available for this parcel.											

Other Building and Yard Improvements			
Description	Quantity	Year Built	Area
No information associated with this parcel.			

Sales Information Print Sales Info									
Sale Date	Sale Amount	Instrument #	Instrument Type	Instrument Description	Date of Recording	Land Court Document Number	Cert #	Book/Pag	
No sales information associated with this parcel.									



www.realpropertyhonolulu.com

**City and County of
HONOLULU**

DEPARTMENT OF BUDGET AND FISCAL SERVICES
REAL PROPERTY ASSESSMENT DIVISION

[VISIT HONOLULU.GOV](http://VISIT.HONOLULU.GOV)

[LOGIN OR SIGN UP](#)

[FORMS](#) [APPEALS](#) [EXEMPTIONS](#) [DEDICATIONS](#) [REPORTS](#) [HELP & RESOURCES](#) [WHAT'S NEW](#)

What can we help you with?



FILE A HOMEOWNERS EXEMPTION

First time filing? Start here to file
online the easy way!



FILE AN APPEAL

Use your unique ID on your
assessment notice to file an appeal
online.



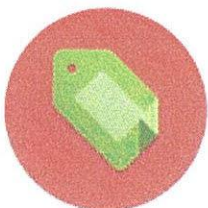
RECEIVE ASSESSMENT NOTICES BY EMAIL

Have your assessment notices sent
directly to your inbox.



PROPERTY RECORDS SEARCH

Search for a property by address,
parcel ID (TMK), or map.



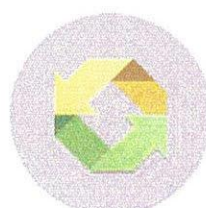
PAY TAXES

Pay your real property tax online or
by telephone with a credit/debit card.



CHANGE MAILING ADDRESS

Moving? Update your current mailing
address.



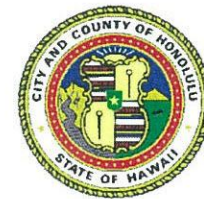
REMOVE AN EXEMPTION

Remove an exemption from your
property.



CHANGE C/O ADDRESS

Update the "care of" address or
location for a property.



Resolution 11-143, FD1

- ❖ Establishes the Oahu Real Property Tax Advisory Commission
- ❖ Purpose: to advise and assist the City Council by conducting a bi-annual review of the City's real property tax system
- ❖ Objective: a systematic review of the City's real property tax system's classes, exemptions, credits and minimum property tax, using such standards as equity and efficiency



Valuations



Real Property Assessment's major real property tax responsibilities

- ❖ Professional valuation and classification of all taxable real property within the City following IAAO ⁽¹⁾ standards
- ❖ Administer exemptions, dedications and appeals
- ❖ Maintain ownership records and addresses
- ❖ Update tax maps and assign tax map keys

⁽¹⁾ International Association of Assessment Officers



Valuations

ROH Sec. 8-7.1

- (a) The director of budget and fiscal services shall cause the fair market value of all taxable real property to be determined and annually assessed by the market data and cost approaches to value using appropriate systematic methods suitable for mass valuation of real property for ad valorem taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the county.



Valuations

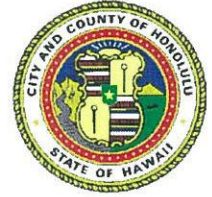
(ROH Chapter 8, Article 7)

- ❖ Considerations in determining valuations
 - ❖ Fair market value
 - ❖ Market data and cost approaches

- ❖ Classifications
 - ❖ Highest and best use
 - ❖ Classification / FY18 tax rate per \$1,000 net taxable⁽¹⁾

❖ Residential / \$3.50	❖ Agricultural / \$5.70
❖ Hotel and resort / \$12.90	❖ Preservation / \$5.70
❖ Commercial / \$12.40	❖ Public service / \$0.00
❖ Industrial / \$12.40	❖ Vacant Agricultural / \$8.50
❖ Residential A / T1:\$4.50 T2: \$9.00	

⁽¹⁾ City and County of Honolulu, Resolution 17-70, CD2



Mass Appraisal

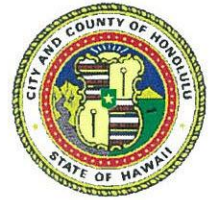
- ❖ Definition
 - ❖ Systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing⁽¹⁾
- ❖ Purpose
 - ❖ Equitable and efficient appraisal of all property in a jurisdiction for ad valorem tax purposes⁽¹⁾
- ❖ Mass appraisal requires the use of valuation tables, schedules and models
- ❖ Mass appraisal systems
 - ❖ Must be cost effective and efficient
 - ❖ Result in annual assessments that are uniform and equalized throughout the county

⁽¹⁾ Mass Appraisal of Real Property, 1st edition, 1999, pg.23



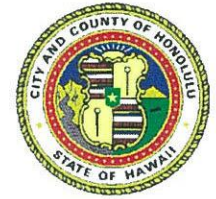
Cost Approach

The **cost approach** is a method of deriving the value of real property by estimating the land value and adding the replacement cost new of the improvements less all forms of depreciation. The cost approach assumes that a rational, informed buyer would not pay more for a property than the cost of constructing an acceptable substitute with similar utility.



Market Data Approach

The **market data approach** is a method of deriving the value of real property by comparing sales of comparable properties to the subject property. The sale prices of the comparable sales are adjusted for differences between the subject and comparable properties. The market data approach assumes that the market price is set by the price of available substitutes.

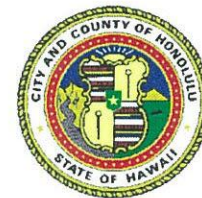


Real Property Tax Valuation

FY 2017 - 2018

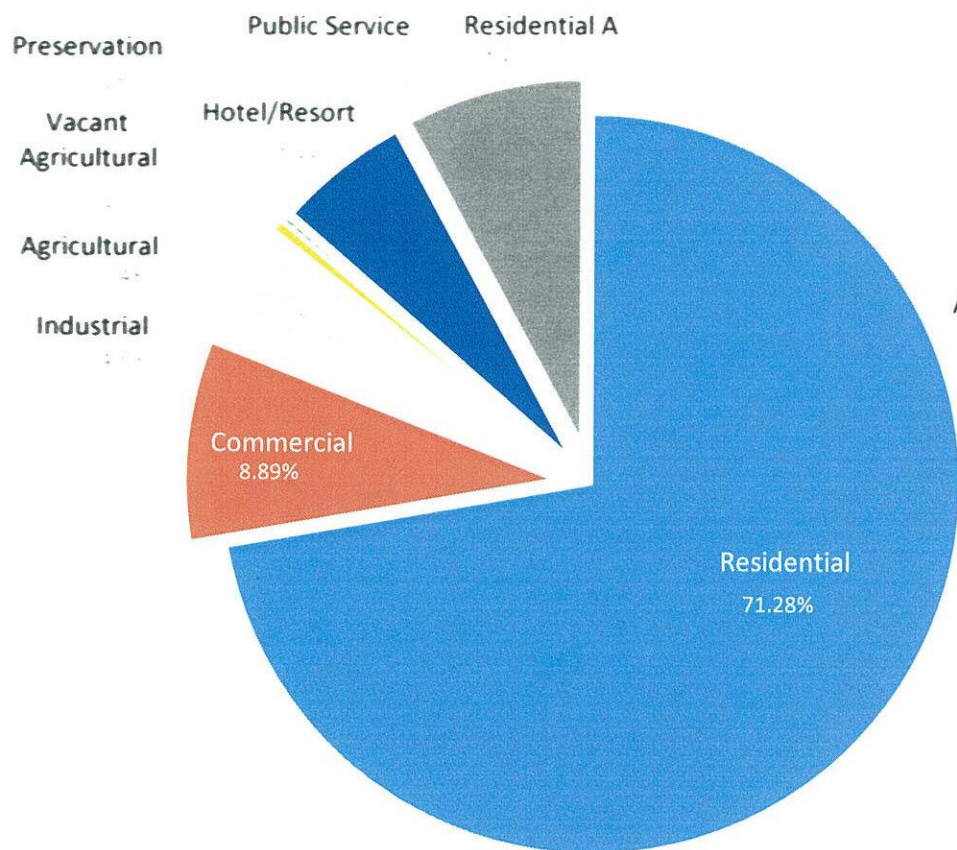
(\$ In Thousands of Dollars – except tax rates)

Land Use Class	# of Records	Gross Valuation	Total Exemptions	Net Valuation	50% Of Appeal Value	Number Of Appeals	Valuation For Tax Rate	Tax Rate Per \$1,000 Value	Amount Raised by Taxation
Residential	256 586	\$174,497,856	\$23,011,491	\$151,486,364	\$177,731	1,591	\$151,308,633	\$3.50	\$529,580
Commercial	6 514	\$21,820,265	\$2,931,449	\$18,888,816	\$363,033	211	\$18,525,783	\$12.40	\$229,720
Industrial	4 113	\$10,574,501	\$814,102	\$9,760,398	\$162,927	87	\$9,597,471	\$12.40	\$119,009
Agricultural	2 800	\$1,174,087	\$123,866	\$1,050,221	\$7,512	20	\$1,007,709	\$5.70	\$5,943
Vacant Agricultural	103	\$50,959	\$0	\$50,959	\$157	1	\$50,802	\$8.50	\$432
Preservation	916	\$581,132	\$56,122	\$525,010	\$1,693	24	\$523,317	\$5.70	\$2,983
Hotel/Resort	8 763	\$13,267,321	\$41,529	\$13,225,792	\$165,764	128	\$13,060,028	\$12.90	\$168,474
Public Service	466	\$1,022,039	\$1,022,009	\$30	\$0	0	\$30	\$0.00	\$0
Residential A	10 808	\$18,343,976	\$759,062	\$17,584,914	\$123,772	387	\$17,461,142	T1: \$4.50 T2: \$9.00	\$110,242
TOTAL	291,069	\$241,332,136	\$28,759,630	\$212,572,504	\$1,002,589	2,429	\$211,569,915		\$1,166,383

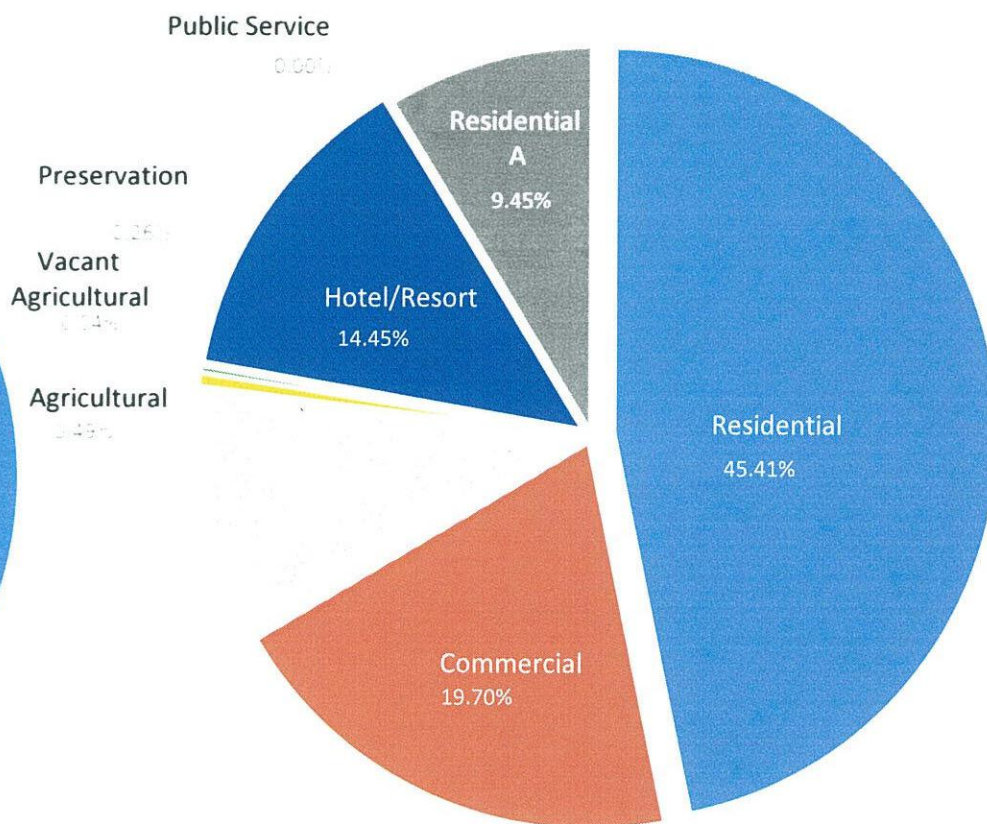


Net Valuation and Taxes Raised by Class

Net Valuation by Class (FY2018)

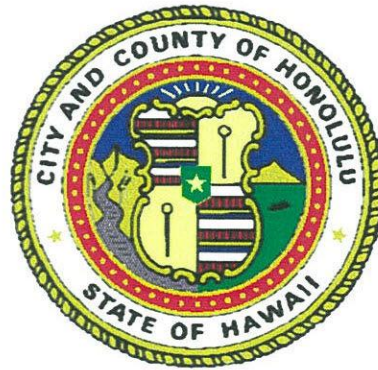


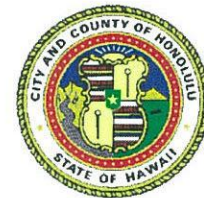
Taxes Raised by Class (FY2018)



Resolution 07-060, CD1: policy to set real property tax rates based on percentage of net revenue (55% residential and 45% non-residential excluding agricultural, vacant agricultural, preservation and public service)

Exemptions and Dedications





Exemptions Differ to Dedications

- ❖ Exemptions (ROH Chapter 8, Article 10)
 - ❖ Reduces the valuation on which taxes are computed
 - ❖ Decreases the real property tax base
 - ❖ Lessens the real property tax liability for the taxpayer
 - ❖ Property must meet certain conditions for the tax year only
 - ❖ Exemptions are either a predetermined dollar amount or a percentage of gross valuation
 - ❖ Currently, there are 20 exemptions
- ❖ Dedications (ROH Chapter 8, Articles 7 & 10)
 - ❖ Property owner commits to certain conditions for a stated period of time in return for reduced taxes
 - ❖ May change class or gross valuation, or
 - ❖ May be applied as an exemption to the portion that qualifies

Tax Benefit Provided by Exemptions

FY 2017 – 2018

(\$ In Thousands of Dollars)

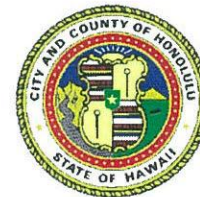


ROH Section	Type of Exemption	Count	Total Exempted Valuation	Tax Benefit
Taxable:				
8-10.4	Homes	142,336	\$14,170,576	\$49,597
8-10.4	In-Lieu of Home Exemption	943	\$171,020	\$599
8-10.6	Homes of totally disabled veterans	1,303	\$933,570	\$3,267
8-10.7	Persons affected with leprosy	2,306	\$58,091	\$203
8-10.8	Persons with impaired sight or hearing and persons totally disabled	116	\$924,076	\$11,459
8-10.9	Nonprofit medical, hospital indemnity association	2,006	\$6,586,093	\$41,756
8-10.10	Charitable purposes	18	\$2,744	\$16
8-10.12	Crop Shelters	5	\$16,627	\$60
8-10.13	Dedication (Dedicated lands in urban districts)	8	\$348,740	\$4,324
8-10.15	Alternate energy improvements	239	\$2,515,874	\$8,806
8-10.20	Low-income rental housing	323	\$540,188	\$3,089
8-10.22	Dedication (Historic - Residential)	3,733	\$2,079,231	\$7,296
8-10.23	Other exemptions (Hawaiian Home Land Lease)	76	\$175,392	\$2,175
8-10.24	Credit Union	1	\$2,608	\$15
8-10.25	Slaughterhouses	486	\$1,064,382	\$0
8-10.27	Public service (Public utilities)	8	\$23,456	\$291
8-10.30	Dedication (Historic - Commercial)	51	\$41,950	\$147
8-10.32	Kuleana land	10	\$18,766	\$233
8-10.33	For-Profit Child Care Center	84	\$70,760	\$877
8-10.35	Central Kakaako Industrial Zone Limited Development			
Subtotal (Taxable)		154,052	\$29,744,144	\$134,210

Tax Benefit Provided by Exemptions

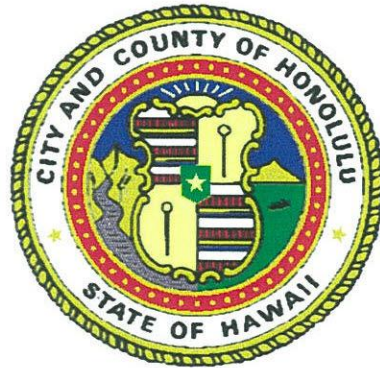
FY 2017 – 2018

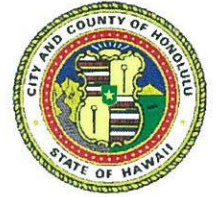
(\$ In Thousands of Dollars)



ROH Section	Type of Exemption	Count	Total Exempted Valuation	Tax Benefit
Non-taxable:				
8-10.17	Exemption - Public property (Federal - Fee)	437	\$7,984,904	\$49,586
8-10.17	Exemption - Public property (State - Fee)	3,462	\$14,390,110	\$113,970
8-10.17	Exemption - Public property (County - Fee)	2,224	\$6,071,501	\$39,525
8-10.17	Exemption - Public property (Civil - Condemnation)	24	\$31,051	\$385
8-10.17	Exemption - Public property (Roadway & Waterway)	3,090	\$13,004	\$86
8-10.17	Exemption - Public property (Setback)	1	\$456	\$5
8-10.17	Exemption - Public property (Foreign Consulates)	30	\$45,802	\$160
8-10.23	Other exemptions (Hawaiian Home Land - Fee)	377	\$737,420	\$4,579
8-10.23	Other exemptions (Hawaiian Home Lease - 7 years)	96	\$55,063	\$403
Subtotal (Non-taxable)		9,741	\$29,329,311	\$208,699
Total - Exemptions		163,793	\$59,073,455	\$342,909

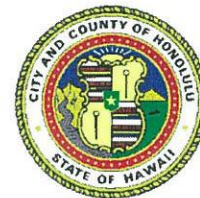
Tax Credit Programs





Tax Credit Programs

- ❖ County Tax Credit
 - ❖ ROH Article 8-13
 - ❖ Provides tax relief based on income
 - ❖ Property owners must apply annually
- ❖ Tax Credit for Septic Tank to Replace Household Cesspool
 - ❖ ROH Article 8-16
 - ❖ Provides a tax credit of up to 50% of the total cost of the septic tank and disposal system
 - ❖ Seven (7) property owners have received a tax credit under this program since its inception on February 9, 2005



County Tax Credit Program

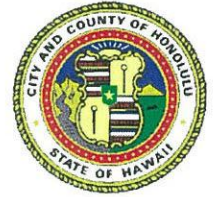
(ROH 8-13)

- ❖ Amount of the tax credit
 - ❖ Difference between the assessed real property tax and 3% percent of their income (\$60,000 limit)
- ❖ Taxpayers must apply by September 30 for a credit on their subsequent year's taxes
 - ❖ Example: Apply by September 30, 2016 for a credit on their July 1, 2017 to June 30, 2018 tax bill



Exemptions and Dedications Difference to Tax Credits

- ❖ Exemptions and Dedications
 - ❖ Applied before taxes are computed
 - ❖ Once granted, continues until canceled
 - ❖ Change in ownership does not create a collection problem
- ❖ Tax Credits
 - ❖ Applied after taxes are computed
 - ❖ Must apply annually
 - ❖ Change in ownership may create a collection problem

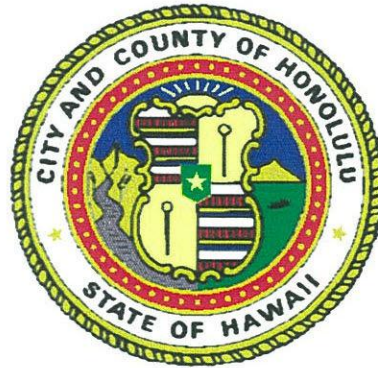


County Tax Credit Formula

$$\begin{array}{|c|} \hline \text{Title Holder's} \\ \text{Income} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{County Tax} \\ \text{Credit} \\ \text{(3\% of income)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Threshold} \\ \text{(Breakeven Point)} \\ \hline \end{array} < \begin{array}{|c|} \hline \text{Tax Liability} \\ \hline \end{array}$$

- ❖ Tax liability not known at the time of application
 - ❖ Applications due September 30
 - ❖ Tax liability computed the following June
- ❖ Taxpayers may qualify for the tax credit but not benefit with a credit to their taxes
- ❖ Tax credit would only be granted if the threshold is less than the taxes owed

Real Property Legislation





City and County of Honolulu Proposed Real Property Legislation

Bill (2017)	Description	2017 Status - passed:
19	Creates Transit Oriented Develop class	2nd reading - March
37	Amends tax credit program	1st reading - March
39	Excludes some (inherited or rented) properties from Res A	1st reading - April
41	Repeal of the Residential A classification	1st reading - April
48	Replaces the Residential A class with luxury apartment units	1st reading - April
52 CD1	Min tax of historic residential properties from \$300 to \$1,000	2nd reading - July
59 CD1	Affordable housing exemption & to construction work	2nd reading - July
60	Re-establish in-lieu exemption	1st reading - June
61	Creates TVU and BB classes	1st reading - June
65	Amends disable exemption with low-income and full exemption	1st reading - June



2017 State of Hawaii Legislation Real Property Taxes

SB683 SD1 HD1 / HB182 HD2: Proposes constitution amendment authorizing a surcharge on residential investment property and visitor accommodations.

SB686 SD2 HD1 / HB180 HD2: Establishes education surcharges on residential investment properties and visitor accommodations for the purpose of funding public education.

HCR169: Requests The Department of Business, Economic Development, and Tourism to convene an economic development and tax reform working group. The economic outcome of transferring the authority tax real property back to the state.

 The Department of Business, Economic Development, and Tourism (DBEDT) released "An Analysis of Real Property Tax in Hawaii" – March 2017

Department of Commerce and Consumer Affairs (DCCA) – In May 2017, requested permission to use mailing information in conjunction with real property data maintained by the real property office of each county in Hawaii.

10th Annual Statewide Municipal Attorneys Conference in August 2017 – Dedicated discussion/panel on real property taxes statewide. Taxing authority back to state would have an adverse impact on county bond ratings.

Constitutional Convention: last occurred in 1978.



Mahalo